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UNCLAS HARARE 002342

SIPDIS

SENSITIVE

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
USDOC FOR 2037 DIEMOND
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

E. O. 12958: N/A

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SUBJECT: Mugabe shifts blame for recession

1. (SBU) Summary: In his December 2 State of the Nation address to Parliament, President Mugabe slammed foreign exchange fraud rather than sanctions for the country's economic downturn, adopting a slightly less confrontational stance toward the U.S. End Summary.

2. (SBU) Over the past year, the GOZ has only rarely spoken at length about the economy without identifying U.S. and European sanctions as a prime cause. In yesterday's remarks, Mugabe also acknowledged that a World Food Program contribution of US\$212.8 million "through the international community is sincerely appreciated." He asked that "partners extend their support to our land reform programme."

3. (SBU) On the other hand, Mugabe did indirectly criticize U.S. policy in Iraq and upbraided "the Anglo-Saxon unholy alliance against Zimbabwe" in the Commonwealth. The President offered no coherent proposals to turn around the economy.

Comment

4. (SBU) The GOZ now sees forex leakages as the main economic villain, even displacing mythical Western trade and investment sanctions. We understand the GOZ is trying to more firmly control remissions, foreign currency accounts and export processing zones - but it has not decided on a policy. Interestingly, Reserve Bank Governor Gideon Gono's bank - CBZ - continues to be one of the most brazen parallel market players. Finally, we do not know if Mugabe's failure to mischaracterize U.S. travel and financial restrictions in this address is a result of Amb's Sullivan's interviews in the independent press last week - and whether the GOZ will continue in this vein.

Sullivan